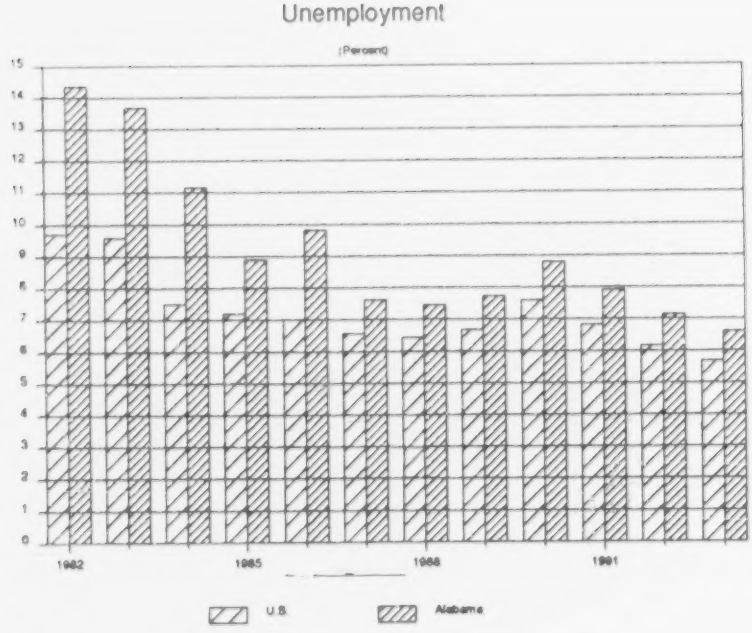
1988 ALABAMA ECONOMIC OUTLOOK



UA/CBER

The University of Alabama • Center for Business and Economic Research

1988 ALABAMA ECONOMIC OUTLOOK

Center for Business and Economic Research

C&BA

College of Commerce and Business Administration
The University of Alabama

The 1987 edition of this publication was the winner of an AWARD OF EXCELLENCE IN PUBLICATIONS presented by the Association for University Business and Economic Research on November 4, 1987 in San Francisco, California.

1988 ALABAMA ECONOMIC OUTLOOK

Alabama Econometric Model Project

Carl E. Ferguson, Jr., Director
Deborah Hamilton, Assistant Director
Ahmad Ijaz, Research Associate

Other UA/CBER Contributors to this Report

Beth Gibbs, Research Assistant
Carroll Greenhill, Programmer/Analyst
Melissa Heinrich, Statistical Data Clerk
Edward Rigdon, Graduate Research Assistant
Annette Watters, Assistant Director

The *1988 Alabama Economic Outlook* is a product of the Alabama Econometric Model which was developed and is maintained by the Center for Business and Economic Research, The University of Alabama.

The Alabama Econometric Model Project is supported in part by a contract with the Alabama Department of Economic and Community Affairs through an Economic Development Administration 302(a) Planning Grant, Contract Number: 04-25-0135-65.

For further information on the Alabama Econometric Model or its products, contact:

Center for Business and Economic Research
The University of Alabama
P. O. Box AK
Tuscaloosa, Alabama 35487-1430

The *1988 Alabama Economic Outlook* reflects the opinions of the authors but not necessarily those of The University of Alabama or the College of Commerce and Business Administration.

CONTENTS

Page

5 U. S. Outlook

6 Alabama Overview

Carl E. Ferguson, Jr.
Director, UA/CBER

Individual Sectors:

10 Manufacturing

Ahmad Ijaz
Research Associate, UA/CBER

15 Construction and Mining

William D. Gunther
Professor of Economics, UA

16 Trade and Services

J. Barry Mason
Russell Professor of Business Administration
and Head, Department of Management and Marketing, UA

17 Finance, Insurance, and Real Estate (FIRE)

Leonard V. Zumpano
Associate Professor of Finance and Chair of Real Estate, UA

18 Transportation, Communications, and Public Utilities (TCPU)

Deborah Hamilton
Assistant Director, UA/CBER

19 Government

Carl E. Ferguson, Jr. and Deborah Hamilton

20 Selected Data Tables

24 Data Sources

U.S. Outlook

"One of the potential risks to this forecast is the possibility of a recession prior to 1990. ... Sluggish growth over the past few years could make it relatively easy for an unforeseen shock to trigger a recession even in the absence of the usual buildup of prerecessionary pressures." U.S. Long-Term Forecast Annual Model, Wharton Econometrics, June 1987.[1]

Did the writers foresee Black Monday--the crash of 1987? Maybe it—*was* in the wind.

So began The WEFA Group's June 1987 Long-Term Forecast for the United States. It is difficult at this writing to even begin to foresee the likely consequences of Monday, October 19, 1987. Yet, we must continue to try to anticipate short and long-term economic trends and conditions. And so it is with considerable respect for the unknown that the authors of this report set out to look at economic events facing this nation and the State of Alabama over the next five years.

Outlook

The national economy on average remains sluggish, although some industries and regions are out- and underperforming the nation as a whole. Moderate spending for plant and equipment, consumer goods, and federal government purchases combine to limit economic growth. Recent growth in inventories was generally involuntary and largely confined to the auto industry. The one bright spot may prove to be the continuing decline in the value of the dollar with an accompanying increase in exports.

Consumer Spending

Driven in large measure by monies secured from home equity loans, consumer spending has played a major role in sustaining the economic recovery. However, as consumers' short term debt burden rose to record levels, the torrid consumer spending seen over the past two years had already begun to cool prior to Black Monday. And, as a result of the uncertainty brought on by the stock market's volatile display, consumers are even more likely to back away from major purchases and adopt a wait-and-see attitude.

Consumption accounted for an estimated 66 percent of Gross National Product (GNP) in 1987. If this consumer uncertainty assumption proves correct, it will be difficult for the remaining sectors to take up the slack. Government is already under pressure to reduce significantly its appetite. Recent gains in the balance of payments have been modest at best. If business reads consumer plans and expectations in the same way, there will be little motivation to increase capital spending.

Business Fixed Investment

Tax reform has changed the investment decision-making game. The current forecast assumes, however, that as corporations become more familiar with the new rules that capital spending should recover from dismal first quarter 1987 levels.

The current WEFA Group forecast calls for a rebound in fixed investment during 1988 and 1989. The relatively low interest rates, increasing capacity constraints, and the desire to participate in export markets which have been improving as a result of the continuing decline in the value of the dollar are all cited as reasons for the rebound.

Trade and the Dollar

In order for the U.S. to sustain current levels of economic activity, the balance of trade position must improve. In 1987 the U.S. imported $115 billion more than was exported. Given an estimated GNP of $4.4 trillion in 1987, a *balanced* trade position would effectively produce a 2.4 percent *increase* in Gross National Product. The decline in the dollar over the past several months has set up a situation which should dampen import growth and stimulate exports. Consumer prices for foreign goods have been rising and consumers are responding by cutting back on some purchases of imported goods.

At the same time, export markets which were once closed to domestic producers now look more and more lucrative as the value of the dollar continues to decline. However, success in international markets will depend on domestic producers' ability to overcome institutional barriers and their ability to stimulate demand for U.S. goods and services abroad.

Higher import prices will also result in somewhat higher prices for domestic products. However, producers seems to be more concerned about regaining market share than increasing profit margins. However, with the discipline of lower import prices on the wane, prices for domestic goods will rise more rapidly over the forecast horizon. □

[1]The U.S. outlook is drawn from U.S. Long-Term Forecast Annual Model, Wharton Econometrics, June 1987. Following Wharton Econometrics' merger with Chase Econometrics, the combined organization is now known as The WEFA Group. Their new name will be used in all future references to the organization.

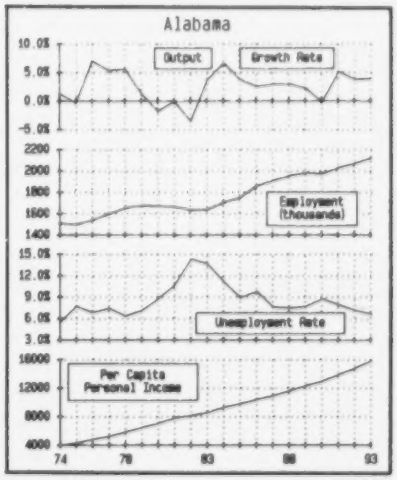
ALABAMA OVERVIEW

OVERVIEW

The *1987 Alabama Economic Outlook* called for real growth through 1987, citing among other considerations:

- the declining value of the dollar and its impact on Alabama producers of lumber, textiles, apparel, chemicals, and rubber products,
- falling interest rates as a stimulus for residential and nonresidential construction,
- rising capital investment in Alabama as a result of significant efforts and successes in the area of industrial recruitment, and
- strong demand within aerospace, electronics, and computer related industries.

Virtually all of these conditions still hold. Nineteen eighty seven *was* a good year for Alabama. And, Alabama's economy is well positioned to take advantage of continued U.S economic growth. However, an otherwise positive outlook is now clouded by uncertainty on the national and international front.



HIGHLIGHTS

	1989	1990	1991	1992	1993
Real Gross State Output					
Growth Rate	2.2%	-0.2%	5.1%	3.7%	3.9%
Per Capita (GSP/GNP)	74.2%	73.9%	74.4%	75.0%	75.7%
Per Capita Personal Income					
Per Year (Cur $)	$12,330	$12,970	$13,900	$14,780	$15,850
Percent of U.S.	73%	73%	73%	73%	73%
U.S. Deflators (Growth Rates)					
Personal Consumption	4.9%	4.6%	4.0%	4.3%	4.8%
Consumer Price Index	5.0%	4.9%	4.2%	4.4%	4.8%
Unemployment Rate					
Alabama	7.7%	8.8%	7.9%	7.1%	6.6%
U.S.	6.7%	7.6%	6.8%	6.2%	5.7%

GROSS STATE PRODUCT

The national forecast suggests that economic activity in the United States is continuing to slow as the nation approaches a forecasted cyclical downturn in 1990. Alabama Real Gross State Product (GSP), the total dollar value of all goods and services produced in the State of Alabama, is on average expected to grow not quite as rapidly as the U.S. through 1990. This trend can be seen in the accompanying forecast highlights.

As a result, Alabama's per capita Gross State Product is expected to slip slightly compared to U.S. per capita Gross National Product. The ratio, estimated to be 74.2 percent in 1989, is expected to decline to 73.9 percent in 1990. As a measure of the relative wealth of Alabama versus the United States as a whole, the ratio signals that Alabama still faces a significant challenge as it strives to gain economic parity with the nation in years ahead. Most disturbing, as can be seen in the accompanying graph, Alabama per capita Gross State Product is not gaining steadily on per capita Gross National Product. Rather, the gain in the relative wealth of Alabamians has been fitful at best.

During the 1980 recession, GNP was estimated to have fallen by less than 1 percent. Suffering worse than the nation as a whole, Alabama GSP was estimated to have contracted by 1.8 percent. The current forecast anticipates a similar course through the 1990 slowdown. Real growth in the GNP is currently forecasted to slow to 0.6 percent during 1990. Alabama GSP is expected to contract again with a forecasted real decline of 0.2 percent. While these estimates are so close as to not represent significantly different levels of economic activity, they do suggest that Alabama's economy is still quite sensitive to national economic conditions.

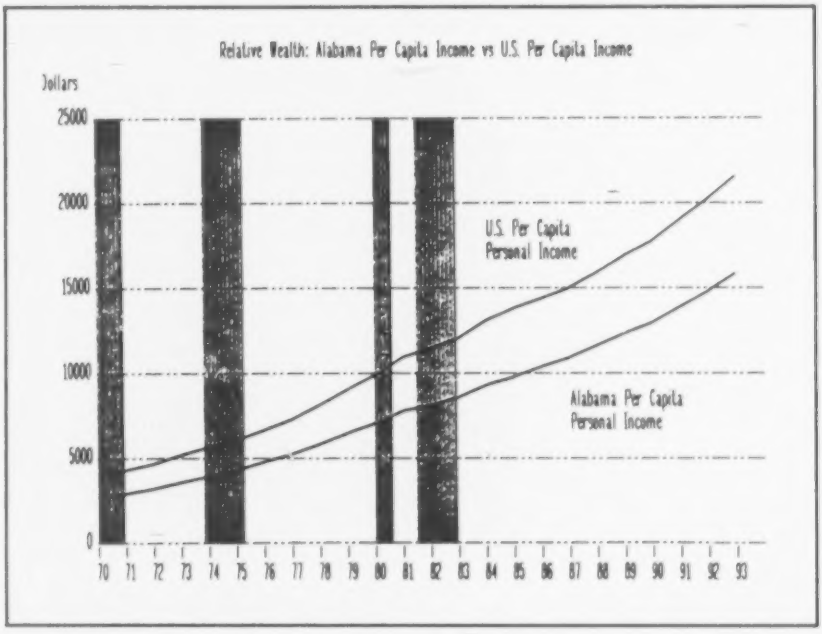
INCOME AND EMPLOYMENT

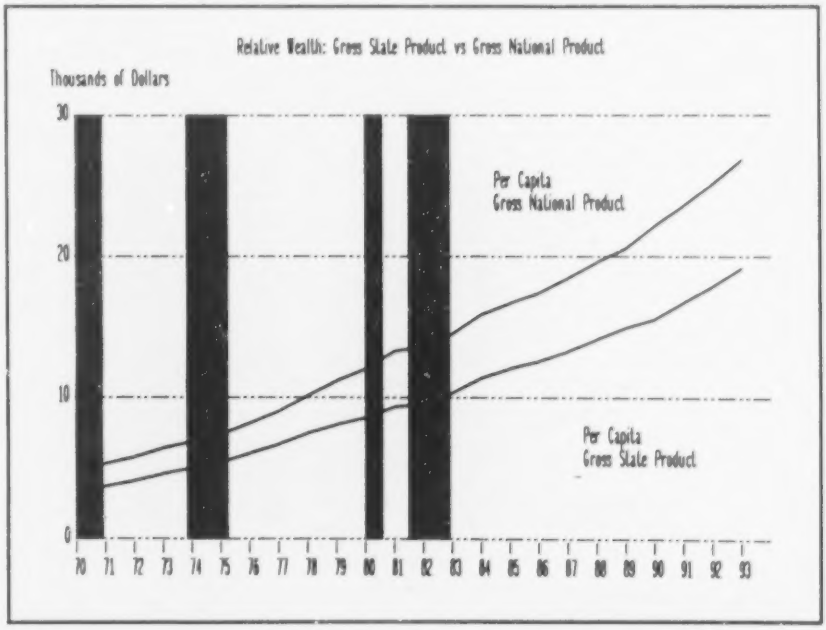
The accompanying highlights chart also reflects the projected trend in Alabama per capita personal income. This measure indicates that the average Alabamian has only 73 percent of the wealth of the average American; however, this *average* masks the extreme poverty found in many rural Alabama communities. While the current forecast has Alabama holding a constant 73 percent of U.S. per capita personal income, the personal income graph shows the gap between U.S. and Alabama per

capita personal income has widened considerably since 1970.

Alabama's unemployment rate fell almost monthly throughout 1987. And by December, total Alabama employment had reached an all time high 1.9 million workers. The current forecast is for a modest decrease in Alabama's unemployment rate through 1988. Total employment is expected to decline by 10,000 workers in 1990 at the worst of the economic slowdown.

It is virtually impossible to "recession proof" a regional economy. However, Alabama's economy will become less vulnerable to rapid employment losses as the Alabama industrial base continues to expand and diversify.


Relative Wealth: Alabama Per Capita Income vs U.S. Per Capita Income
Dollars
25000
20000
15000
10000
5000
0
U.S. Per Capita Personal Income
Alabama Per Capita Personal Income
70 71 72 73 74 75 76 77 78 79 80 81 82 83 84 85 86 87 88 89 90 91 92 93


Relative Wealth: Gross State Product vs Gross National Product
Thousands of Dollars
30
20
10
0
Per Capita Gross National Product
Per Capita Gross State Product
70 71 72 73 74 75 76 77 78 79 80 81 82 83 84 85 86 87 88 89 90 91 92 93

INDUSTRIAL OVERVIEW

Manufacturing

As shown in the accompanying bar chart, durable and ~~n~~ondurable manufacturing combine to form the largest single industry group in Alabama. Manufacturing workers are estimated to earn an average annual wage of $21,000 in 1988, with paper industry workers earning the highest average annual wage at $34,700. Also within manufacturing, nondurable apparel workers took home the lowest annual wage of any economic sector, averaging only $11,700 per year.

While accounting for 26 percent of total gross state product, Alabama manufacturing employs only 19.3 percent of all Alabama workers in 1988. This amounts to 376,900 workers. Alabama manufacturing is just now returning to its pre- 1980-1982 recession high of 377,000 employees.

Manufacturing employment should surpass its 1977 high by early 1991, topping 390,000 by year end. The average annual wage is also expected to show good growth, reaching $27,400 per year in 1993.

Manufacturing output, up 4.1 percent in 1987, is expected to grow faster than the overall Alabama economy through the 1993 forecast horizon. Manufacturing output is expected to be somewhat harder hit in 1990 with an expected decline of 0.3 percent, while total Gross State Product is forecasted to decline only 0.2 percent. Alabama manufacturing output as a percent of total GSP is expected to increase to 27.8 percent by 1993. While many

states are seeing economic movement toward the services industry, Alabama has demonstrated that it is well positioned to continue to expand its industrial base.

Trade

Wholesale and retail trade in Alabama combined to account for an estimated 16.5 percent of total Gross State Product in 1988. A labor intensive industry, trade employs over 347,000 workers, or 17.8 percent of total Alabama employment in 1988.

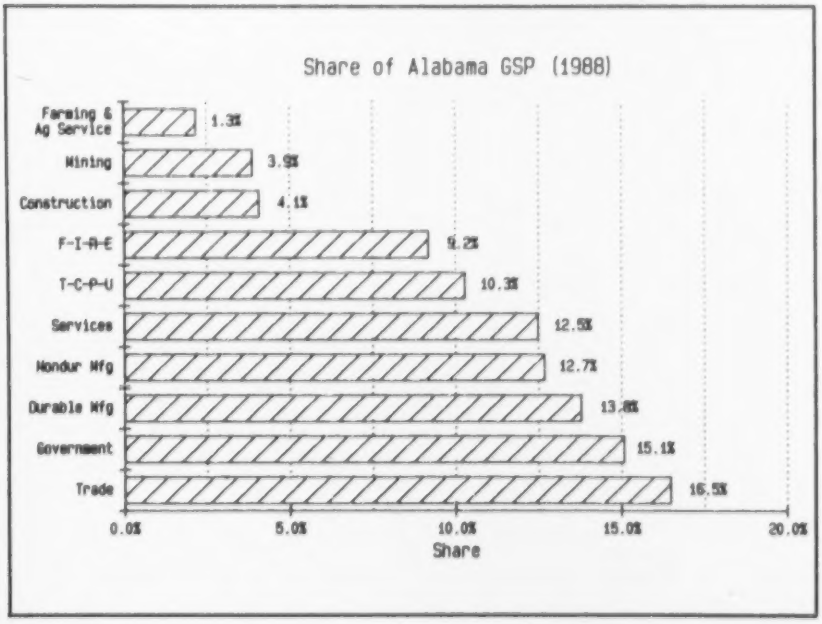
The current outlook calls for trade's share of total GSP to change very little over the forecast horizon. The current forecast shows trade output falling 1.8 percent in 1990 followed by a strong recovery in 1991. Such a pattern is consistent with past cyclical downturns as consumers first restrict spending during the recession only then to spend heavily to satisfy pentup demand.

Services

Alabama's services sector accounts for approximately 12.5 percent of total Gross State Product. And, unlike many states, the Alabama services sector is not expected to increase its share of GSP over the current forecast horizon. Services should prove to be quite resilient through the downturn with output forecasted to rise 1.4 percent in 1990.

The services sector, like trade, provides a great many jobs in Alabama. In 1988 service occupations employ 309,000 persons and pay an average annual wage of $15,000. Services employment is not expected to grow as rapidly as Alabama total employment through 1993. The current forecast calls for services employment to reach approximately 334,000 persons in 1993. This represents a 15.7 percent share of total employment–a share unchanged since the early 1980s.

This is an interesting phenomenon in that employment in the U.S. economy as a whole is moving toward the services sector. Over the same period U.S. services share of total U.S. employment is expected to rise from 21.6 percent in 1987 to 23.2 percent in 1993. While there are several factors at work, the best explanation probably centers on Alabama's generally underdeveloped industrial base. As a result, capital expansion and new investments have recently occurred in the manufacturing industries with the services industries filling in to meet the needs of the expanding industrial base. This holds a great deal of promise for the quality of life in Alabama in that manufacturing on average pays a much higher average annual wage.



FIRE and TCPU

Finance, Insurance, and Real Estate (FIRE) and Transportation, Communications, and Public Utilities (TCPU) combined to account for 19.5 percent of total Gross State Product in 1988. Both industry groups are of a service nature and both have experienced steady growth over the past several years. The current forecast calls for continued growth in both industries with neither projected to decline during the 1990 downturn. Neither industry is expected to see any significant change in output share of total GSP.

FIRE and TCPU employ 154,300 workers in 1988. FIRE is expected to pay an average annual wage of $21,400. The banking component should average $18,600 while nonbanking pays somewhat more, averaging $23,500 per year.

TCPU pays notably higher wages, averaging an estimated $27,100 a year in 1988. Wages in this industry group are paced by public utility workers who earn an average of $34,600 followed by communications workers at $28,500 and transportation

workers at $22,900 per year. Both industry groups are expected to experience steady gains in wage rates over the forecast horizon.

Mining and Construction

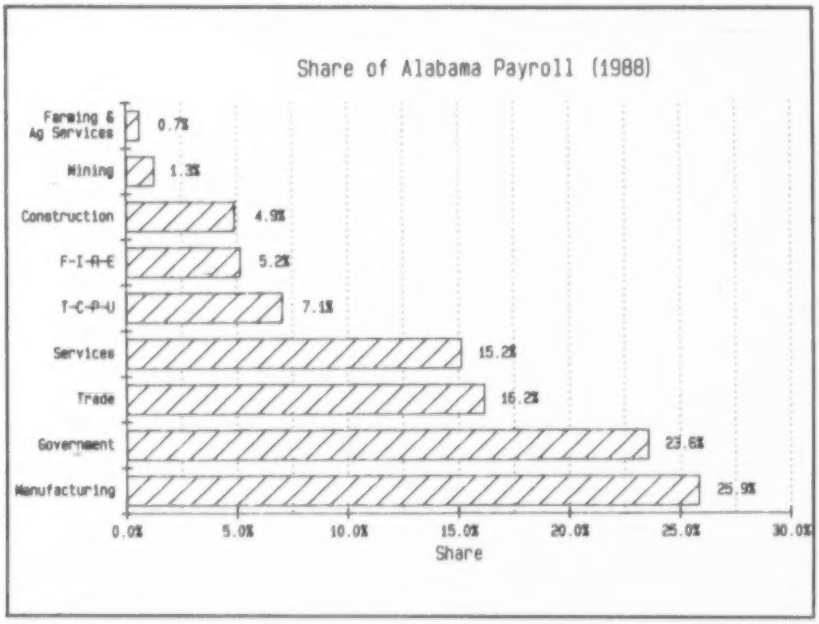
The mining and construction industries are both very sensitive to the overall level of economic activity within Alabama and the nation as a whole. Accounting for a combined 8.0 percent of total Gross State Product in 1988, these industries produced 11.2 percent of Alabama's Gross State Product in 1978. This combined share is expected to decline slightly to 7.5 percent by 1993.

The current forecast anticipates that both mining and construction will be hard hit in 1990 with declines in real output of 5.6 and 8.2 percent respectively. This drop in production is expected to result in the temporary loss of 6,700 jobs--1,300 in mining and 5,400 in construction.

Mining wages are estimated to be among the highest in the State, averaging $33,800 per year in 1988. Construction workers are expected to take home an annual average wage of $19,100. Wage gains in mining over the forecast horizon are expected to push annual wages to $42,600 by 1993. The average annual wage rate in the construction industry is expected to rise to $24,900 over the same period.

Government

Federal, state, and local government activities are an important contributor to any regional economy. Governmental services are not only essential to long-term economic growth, but the provision and maintenance of governmental services and facilities provide a stable source of employment and income throughout the State of Alabama.



In 1988 government accounts for an estimated 15.1 percent of Alabama Gross State Product. This follows a steady decline in government's share from a high of 16.8 percent in 1982. This trend is expected to continue with government's share declining to approximately 14 percent in 1993.

In 1987 government workers took home $6.8 billion in wages and salaries. Only the total of all manufacturing industries combined, $7.4 billion, exceeded this total. Trade and services were third and fourth respectively with payrolls of $4.6 and $4.3 billion respectively.

SUMMARY

Over each of the past five years, the Alabama economy has grown faster than the U.S. as a whole. As economic growth slows over the next two years, annual economic growth in Alabama is expected to continue this trend. But, by 1990, the expected bottom of the forecasted cyclical decline, Alabama economic output is currently forecasted to contract modestly, with real growth forecasted to be -0.2 percent. Real Gross National Product in 1990 is currently forecasted to grow by only 0.6 percent.

Alabama is expected to recover from the 1990 slowdown with vigorous growth averaging over 4 percent through 1993. This pattern of suffering worse than nation followed by a strong recovery has been characteristic of Alabama's recent economic history. □

MANUFACTURING

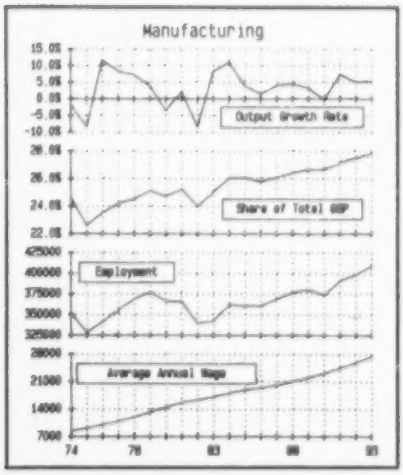
Overview

The manufacturing sector in Alabama accounts for approximately 26 percent of total real State product and provides about 20 percent of total employment. In 1987 Alabama manufacturing output grew at an annual rate of 4 percent. The lower and stable exchange value of the dollar against major trading currencies in 1988 should boost output and employment in the manufacturing industries that have been hardest hit by import competition. For example, the declining value of the dollar combined with the 1987 tax laws should help make nondurable industries like lumber, textiles, apparel, chemicals, and rubber become more competitive in both international and domestic markets. As a result, real output in the manufacturing sector is expected to grow at an annual rate of 4.4 percent in 1988 reaching a total of $12.605 billion and at an average of 4 percent annually through the forecast period, rising to $15.341 billion by 1993.

However, due to an increasing trend toward technological automation and to increased competition within the industries, employment in Alabama's manufacturing sector is not expected to grow as rapidly as output. Manufacturing employment is expected to grow at an annual rate of 2.1 percent in 1988 (with employment reaching 376,900) and at an average of 1.7 percent a year through the forecast period, reaching 408,700 by 1993. Despite this modest rate of growth in total manufacturing employment, selected durable and nondurable industries should enjoy more vigorous growth in both 1988 and over the forecast horizon.

Share of Gross State Product and Total Employment for Selected Durable and Nondurable Goods Industries 1988

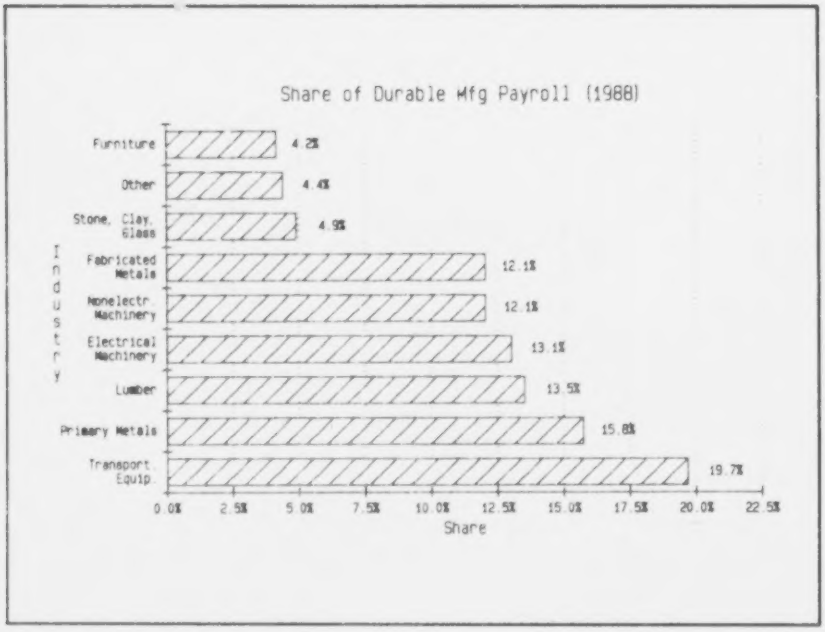
	Share of GSP	Share of Total Employment
Durable		
Primary Metals	2.2%	1.1%
Nonelectrical Machinery	2.0%	1.1%
All Transportation Equipment	3.3%	1.4%
Nondurable		
Paper	2.8%	1.2%
Apparel	1.8%	2.9%
Textiles	1.8%	2.0%



Based upon past trends, Alabama's economy has experienced a higher average annual growth rate than the growth in the nation's GNP. However, during the recession periods, Alabama's economy has also had the misfortune of going into a more severe recession than the nation as a whole. This trend is expected to prevail during the downturn in the nation's economy currently forecast by The WEFA Group during late 1989 and 1990.

DURABLE MANUFACTURING

The durable goods industry in Alabama accounts for about 14 percent of total GSP and for approximately 10 percent of total employment in Alabama. During the past three years real output and employment in durable goods has grown at a higher rate than nondurable goods manufacturing. This trend is expected to continue into 1988 and throughout the forecast period 1989 to 1993. Real output in the durable goods industry should grow at an annual rate of 4.2 percent in 1988 and should average approximately 4 percent a year to 1993. Employment in the durable goods industry group is expected to grow at a 2.1 percent annual rate in 1988 and at a 2.1 percent average annual rate over the forecast period. The downturn in the economy in 1990 is expected



to result in a decline of 2.1 percent in durable goods output and a 3.1 percent decline in employment. The majority of these job losses are expected in lumber and in the primary and fabricated metals industries.

Lumber

Lumber output in Alabama constitutes about 1.7 percent of total State output and about 1.7 percent of total employment. Real output in the lumber industry is expected to grow at a modest annual rate of 1.7 percent in 1988 and at 2.1 percent in 1989. During the economic downturn, currently forecast for 1990, lumber output is expected to decline about 6.3 percent before rebounding at an average annual growth rate of 7.4 percent during the period 1991-1993. This decline in the lumber industry during 1990 is largely linked to the cyclical nature of the construction industry, the main user of lumber products.

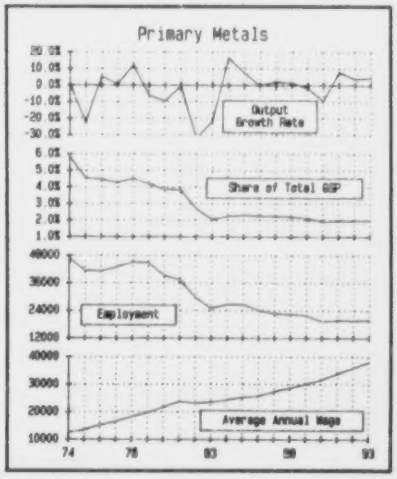
The lumber industry in Alabama employs approximately 33,000 people and employment is expected to grow 1.5 percent during 1988. The overall decline in construction activity expected during 1989-1990 will have a direct effect on the lumber industry. Employment in lumber is expected to drop by 0.5 percent in 1989 and by 5.7 percent in 1990. During the period 1991 through 1993, employment is expected to rebound, averaging 4.2 percent a year.

Wages in the lumber industry are one of the lowest in the durable goods manufacturing group. Wage rates in this industry are expected to grow at an average annual rate of 4.3 percent through the period 1988 to 1993, rising from $16,500 in 1988 to $20,300 in 1993.

Primary and Fabricated Metals

Primary and fabricated metals' shares of total Alabama GSP and employment have fallen substantially over the past 10 years. The relative contribution of primary metals has declined from 4.5 percent in 1978 to 2.2 percent in 1987. The fabricated metals industry dropped from a 1.7 percent share of GSP in 1978 to 1.5 percent in 1987. Real output in the primary metals industry is expected to be $1.051 billion in 1988, up 1.3 percent from last year. Over the forecast period 1989 to 1993, this industry is expected to grow at an average annual rate of only 1.0 percent. The fabricated metals industry should grow at an annual rate of 5.2 percent in 1988 with the real output being valued at $728 million. During the period 1989 to 1993, the average annual growth rate is expected to average 3.2 percent.

The primary metals industry employed approximately 45,000 people in 1978. This number had fallen to 22,700 people by 1987. Employment in this industry is expected to drop by another 1.7 percent in 1988. This trend is expected to continue over the period 1989 to 1993 with employment in primary metals expected to decline at an average annual rate of approximately 2 percent, reaching 20,000 people in 1993. The main reasons for this enormous decline are the high costs of labor and the lack of

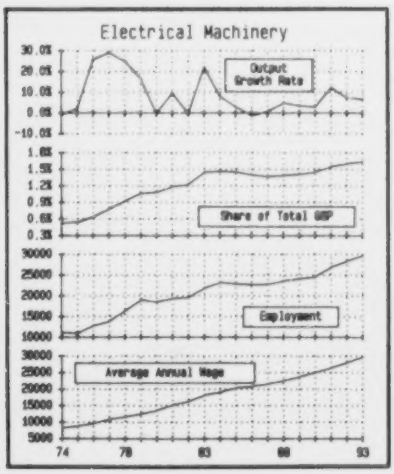


technological improvements during past years, making foreign manufactured steel more price competitive. Innovations and technological improvements in steel production could improve the conditions in Alabama's steel industry, making it more competitive in both domestic and international markets.

Employment in the fabricated metals industry shows a promising picture. Employment in this industry is estimated to be 23,600 people in 1988, up 1.7 percent over 1987. During the period 1989 to 1993, employment growth in fabricated metals is expected to average 1.7 percent a year, reaching about 26,000 people in 1993. The average annual wage rate in the primary metals industry is estimated to be $28,800 in 1988, rising to $38,200 in 1993. The annual average wage rate in fabricated metals is expected to rise from $20,800 in 1988 to $27,000 in 1993.

Nonelectrical and Electrical Machinery

The machinery manufacturing industry in Alabama, including both nonelectrical and electrical machinery manufacturing, is one of the largest durable goods industries in the State. This industry as a group accounts for approximately 3.4 percent of total GSP and about 2.3 percent of total employment. Nonelectrical machinery output is expected to grow at a 5.7 percent annual rate in 1988 with a share of approximately 2 percent of total GSP. During the 1989 to 1993 period, nonelectrical machinery's real output is expected to show an outstanding average annual growth rate of approximately 5 percent with a share of approximately 2.2 percent of total GSP. Electrical machinery's share of total output is estimated to be 1.4 percent in 1988 with a growth rate of 4.9 percent over 1987. During the following five years, this industry is expected to perform well, growing at an average annual rate of 6.5 percent with 1.6 percent of total GSP in 1993.



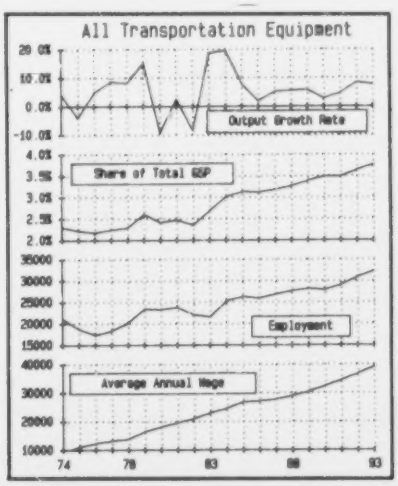
Employment growth in machinery manufacturing should also keep pace with the rapid growth in the output level of this industry. Employment in nonelectrical machinery is estimated to be 21,300 people in 1988. In the forecast period 1989-1993, employment in nonelectrical machinery is expected to reach approximately 24,600 people, an average annual growth rate of 2.9 percent.

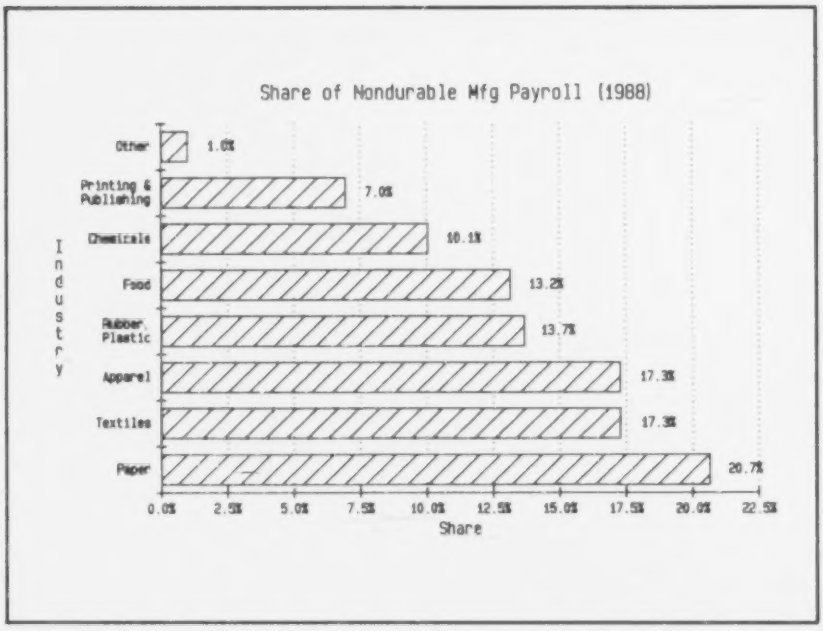
Electrical machinery currently employs 23,600 people and is expected to grow at an annual rate of 3.6 percent in 1988. Employment in electrical machinery should reach 29,700 people by the year 1993, growing an average of 4.7 percent per year. Both nonelectrical and electrical machinery industries are not very susceptible to the economic cycles; therefore, it is expected that both these industries should not be affected a great deal by the downswing in the business cycle during 1990.

The average annual wage rate in Alabama's machinery industry is estimated to be $22,700 in 1988 and is expected to rise to $30,000 by the year 1993.

All Transportation Equipment

All transportation equipment manufacturing accounts for about 3.3 percent of total State output and provides approximately 1.4 percent of total employment. This industry group includes manufacturing of land, air, and water transportation equipment, including auto parts and defense equipment. During the mid 1980s, due to the high demand for automobile manufacturing equipment, this industry was one of the fastest growing in Alabama. The transportation equipment industry group should continue to enjoy this high growth rate as a result of an increased demand for defense equipment and waterways transportation. During the forecast period, the transportation equipment industry is expected to average 5.9 percent growth per year with an approximate share of 3.8 percent of total State output by 1993.





The transportation equipment industry in Alabama is estimated to employ 27,600 people in 1988, a 2.9 percent increase over 1987. This industry is expected to employ 32,300 people by 1993, up an average of 3.2 percent a year over the period 1989-1993.

Transportation equipment wages are also expected to keep pace with the growth in output and employment. The average annual wage rate is estimated to be $29,000 in 1988 and should rise to $39,200 in 1993, an average annual increase of approximately 6 percent.

NONDURABLE MANUFACTURING

Nondurable manufacturing in Alabama accounts for approximately 13 percent of GSP and for approximately 10 percent of total Alabama employment. In 1988 real output in nondurable manufacturing in the State is expected to increase by 4.7 percent and at an average annual rate of approximately 3.7 percent over the next five years. Employment in Alabama's nondurable manufacturing group should grow at an annual rate of 2.1 percent in 1988 and at an average annual rate of 1.2 percent during the 1989-1993 period. Since nondurable manufacturing traditionally has consisted of more labor intensive industries than durable manufacturing, the number of people employed in this group has always been higher than the durable manufacturing group.

As a result of the higher value of the dollar in international trading during 1985-1986, many of Alabama's industries suffered at the hands of cheaper imports. However, since then the value of the dollar has substantially declined, raising the price of most import goods. This is one of the major factors that has significantly helped the increase in growth of nondurable manufacturing industries during the latter part of 1987 and in 1988.

Food and Kindred Products

The food industry in the State accounts for approximately 2 percent of output. Real output in the food industry is estimated to increase at an annual rate of 3.8 percent in 1988. During the period 1989-1993, real output in food is expected to see an average annual growth rate of about 3.8 percent.

Employment in the food industry accounts for about 1.6 percent of total employment. In 1988 the food industry in Alabama will employ approximately 31,000 people, a growth rate of 1.3 percent over 1987. It is estimated that by 1993 employment in the food industry will reach 34,300 people, growing at an average annual rate of 2.2 percent between 1989 and 1993.

Food and kindred product workers earned an average of $15,800 in 1987. In 1988 the wage rate in this industry is expected to be $16,500 and is expected to grow at an average annual rate of 5.5 percent, reaching $21,500 by the year 1993.

Textiles

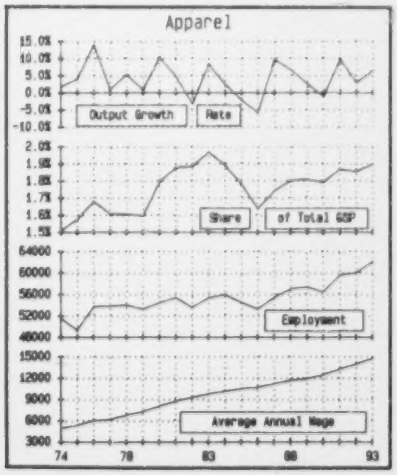
The textiles manufacturing industry in Alabama is the third largest industry in the nondurable manufacturing group. It accounts for 1.8 percent of total output and for approximately 2 percent of total employment. Due to strong demand for textiles industry products in furnishings, residential buildings, etc., in 1988, the textiles industry in Alabama is expected to grow at an annual rate of 4.3 percent. During the period 1989-1993, the State's textiles industry should be able to maintain a moderate average annual growth rate of 2.4 percent.

The textiles industry, like apparel, is extremely labor intensive. In 1988 it is estimated to employ approximately 38,900 people. However due to increased automation, employment is expected to decline. The present forecast is for the textiles industry in Alabama to employ 37,200 people in 1993, an average annual decline of 0.9 percent over the period 1989-1993. The textiles industry is also highly cyclical in nature and responds very quickly to national and State economic conditions. During the anticipated downturn in the economy in 1990, employment in the State's textiles industry is expected to drop by about 4 percent.

The average annual wage rate in textiles is expected to be $17,200 in 1988, rising to $21,600 by the year 1993.

Apparel

In the nondurable manufacturing group, the apparel industry in Alabama is the largest single employer. It traditionally has provided about 3 percent of total manufacturing employment. However, the apparel industry is also extremely labor intensive and therefore only accounts for approximately 1.8 percent of total State output. The apparel industry has also been the State's most troubled producer and the hardest hit by import competition. With the lower exchange value of the dollar and the price of imports rising, Alabama's apparel manufacturers should become more competitive and regain some portion of their market share in both domestic and international markets. In 1988 real output in Alabama's apparel industry is expected to grow at an annual rate of 6.6 percent. This growth rate should slow down to a more sustainable average annual rate of approximately 4 percent during the period 1989 to 1993.

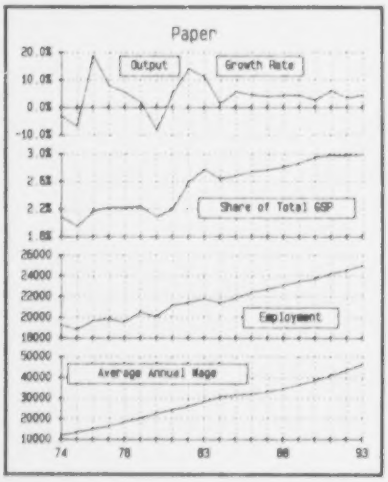


In 1988 apparel is expected to employ 57,100 people, an increase of 2.9 percent over 1987. This number should reach 62,200 by the year 1993, an average annual growth rate of 1.7 percent. However, the apparel industry in Alabama has the lowest wage rate of any industry in the manufacturing sector. In 1988 it is expected to pay an average annual wage of only $11,700. This amount is estimated to reach $14,800 by the year 1993, an average annual increase of 4.8 percent.

Paper and Allied Products

The paper industry in Alabama accounts for 2.8 percent of the State's output and only 1.2 percent of total employment. The industry enjoyed steady but moderate growth through most of the recent years and that trend is expected to continue. In 1988 output in this industry should increase by 4.5 percent with a 2.8 percent share of total GSP. During the five year period after 1988, the average annual growth rate should be around 4.2 percent with the share of output to total State output reaching 3 percent.

In 1988 the paper industry in Alabama is estimated to employ 23,100 people with an average annual wage of $34,700. By the year 1993 employment should reach 25,000 with an average annual wage rate of $46,300. □



CONSTRUCTION AND MINING

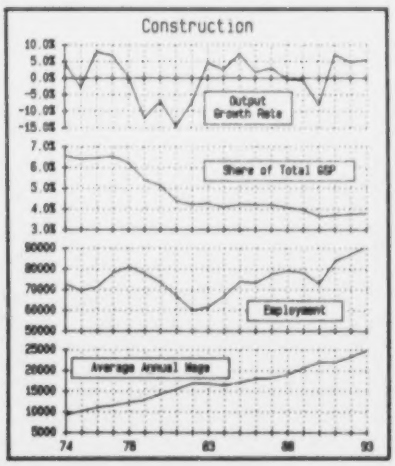
Construction

Although the construction sector is not a major source of employment (4.1 percent of total State employment in 1988), it is one of the more volatile sectors with respect to the business cycle. This volatility makes this sector highly sensitive to periods of recovery and recession and thus serves as a useful leading indicator of future economic trends.

Since the recession of 1982, real output in the construction sector has increased each year through 1987. In 1988, however, real output in the construction sector is estimated to decline by 0.3 percent and is expected to decline by 0.7 percent next year and by 8.2 percent in 1990. These declines are expected to reflect a general weakening of the U.S. economy and rising interest rates.

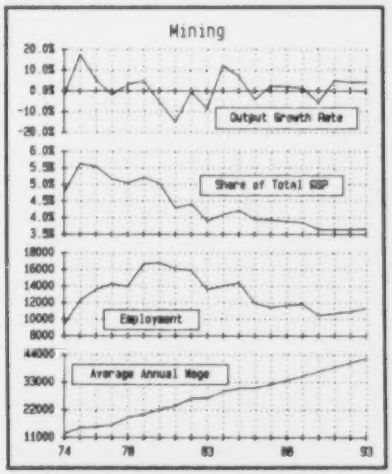
Total employment in the construction sector in 1988 is estimated to be 79,300. Forecasts for 1989 and 1990 show employment falling to 78,200 and 72,800 respectively before beginning a strong recovery in 1991. By 1993 employment levels in the construction sector are expected to reach 90,700.

Wages in construction should average $19,100 in 1988, or some 90.9 percent of the average manufacturing wage. Forecasts for 1993 show an annual wage of $24,900, an average annual increase of over 6 percent. Relatively, construction sector wages, however, will still amount to 90.8 percent of the average manufacturing wage in 1993.



Mining

The mining sector consists of metal ore mining, coal mining, oil and gas exploration, and quarrying. The performance of this sector affects parts of the State unevenly, influencing the regional economies in which mineral and fossil fuel resources are extracted to a much greater degree. Real output in the mining sector accounts for 3.9 percent of total real output in Alabama in 1988, a level which reflects no relative change over the 1986 or 1987 levels. Forecasts indicate that this sector's relative role will not change much, with 1993 real output amounting to 3.7 percent of total State real output. This relatively constant share reflects the fact that output in this sector depends upon the initial endowment of natural resources (which is not subject to much change) and world energy prices (which are not projected to rise significantly over the forecast period).



In 1988 the mining sector is estimated to employ a modest 11,700 workers and to account for only 0.6 percent of total employment in Alabama. Employment will remain relatively constant over the forecast period with 1993 employment levels at 11,400 (0.5 percent of total state employment). Wages in the mining sector, however, are one of the highest in the State with the 1988 average salary of $33,800 or 161 percent of the average manufacturing wage in the same year. By 1993 average wages are forecasted to be $42,600 for the mining sector or 155 percent of the manufacturing sector. Unfortunately, employment and wage levels in the mining sector are heavily influenced by world oil prices with the result that there are wide swings in both wages and employment. □

HIGHLIGHTS

	Construction			Mining		
	1983	1988	1993	1983	1988	1993
Real Output						
Share of Total GSP	4.3%	4.1%	3.8%	3.9%	3.9%	3.7%
Employment						
Number of Workers	61,700	79,300	90,700	13,600	11,700	11,400
Share of Total	3.8%	4.1%	4.3%	0.8%	0.6%	0.5%
Wages						
Annual Average (Cur $)	$16,800	$19,100	$24,900	$26,800	$33,800	$42,600

TRADE AND SERVICES

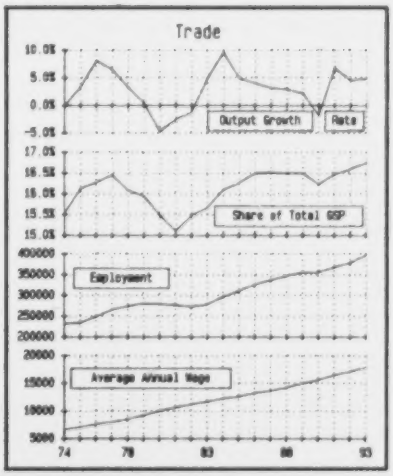
Trade (both retail and wholesale) and services are each important components of the Alabama economy. Retailing accounts for approximately 75 percent of total trade employment while wholesaling continues to decline in importance. The services sector is diverse and includes everything from the services of physicians and attorneys to personal household services.

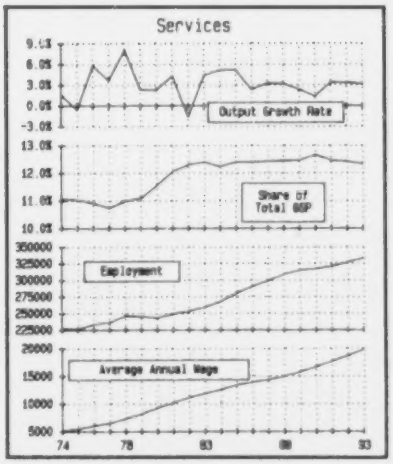
Trade and services in Alabama as a percentage of Gross State Product (GSP) was roughly the same as for the nation in 1987, 16.5 percent for trade and 12.4 percent services. However, the real growth rate for Alabama trade output exceeded the growth rate for the nation in 1987, as did services. Output growth in trade is forecasted to continue to exceed the national average through 1993, while services should equal the national average. The share of GSP for trade and services is expected to remain relatively constant.

In a broader context, output in the Alabama trade sector (in 1982 dollars) increased by 29.2 percent from 1982-1987 and is forecasted to increase by 17.3 percent for the period 1988-1993. Output in services experienced a 22.2 percent growth in constant dollars for 1982-1987 and is forecasted to grow by 14.3 percent during 1988-1993.

The trade sector is more cyclical and sensitive to employment patterns than the services sector. Many retail purchases are discretionary and can be postponed. Thus, trade declined, in 1982 constant dollars, by almost 5 percent in 1980. The decline continued through 1982 when the current recovery began. Trade output in constant dollars increased by almost 10 percent in 1984. The present forecast expects trade output to average 3.3 percent real growth for the period 1989 through 1993. Services growth in real dollars declined only in 1982 and then only by 1.6 percent. Services growth for 1988 through 1993 is forecasted to fluctuate between 2.3 percent and 3.4 percent in real dollars with a low of 1.4 percent real growth in 1990.

Trade and services should comprise 33.6 percent of total State employment in 1988. The percentage is expected to remain relatively constant through 1993. Growth in employment closely parallels the movement of GSP. Trade employment increased by 21.2 percent between 1983 and 1987 while employment in services increased by slightly more than 15 percent. Trade employment is forecasted to increase by 14.5 percent between 1988 and 1993, contrasted to 8 percent for services.





Wages in the trade sector have traditionally been low, averaging $14,300 in 1988. Due to its diversity, wages in the services sector vary widely. However, low paying occupations dominate. The 1988 average annual wage rate for services is estimated to be $15,000. The average worker in the trade sector earned only 68 percent of what the average worker in manufacturing earned in 1987, while workers in services earned 72 percent of the manufacturing average. Trade wages are forecasted to be 65 percent of manufacturing wages in 1993 and wages in services are expected to 72.6 percent. □

HIGHLIGHTS

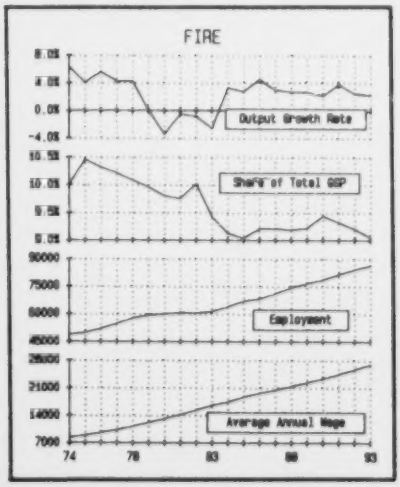
	Trade			Services		
	1983	1988	1993	1983	1988	1993
Real Output						
Share of Total GSP	15.7%	16.5%	16.8%	12.4%	12.5%	12.3%
Employment						
Number of Workers	278,900	347,000	397,400	259,900	309,000	333,800
Share of Total	17.0%	17.8%	18.7%	15.9%	15.8%	15.7%
Wages						
Annual Average (Cur $)	$11,700	$14,300	$17,900	$11,900	$15,000	$19,900

FINANCE, INSURANCE, AND REAL ESTATE

Finance, insurance, and real estate (FIRE) continues to be one of the most productive commercial sectors in the Alabama economy. Although FIRE accounts for only 3.8 percent of the State's employment, it produces 9.2 percent of Alabama's real Gross State Product. In addition this sector produces almost four dollars in output for every dollar of wages, one of the highest output to income ratios of any industry group within the State's economy.

Preliminary figures for the entire FIRE sector show employment in 1988 at 74,300 workers, an increase of 4.3 percent from 1987. This industry is divided into banking and nonbanking components. The nonbanking component is by far the larger, employing almost 10,000 more people than the banking industry and producing almost six times the output. Of the 42,100 persons employed in the nonbanking sector, approximately half are licensed real estate brokers or salespersons. Employment for the entire FIRE sector is forecasted to increase by approximately 3 percent per year through 1993. In contrast the State employment growth rate for the same period is forecasted to be 1.7 percent per year.

The banking sector exhibited a period of meager employment



growth in the first half of the 1980s and posted actual declines of 1.3 percent in 1982 and almost 1 percent in 1986. Following a period of consolidation, Alabama's banking industry is forecasted to grow, in the new deregulated environment, at an average of 2.8 percent per year for the remainder of the decade.

Continuing concern over both the federal budget deficit and the nation's foreign trade deficit is expected to keep real interest rates high, even though inflation for the balance of 1988 is expected to be moderate. For 1988 a number of forecasters, including the Forecasting and Policy Analysis Division of the National Association of Realtors (NAR), expect the consumer price index to increase at an annual rate of 4.5 percent.

Because both the supply and demand for housing are particularly sensitive to credit conditions, output and employment in the real estate sector closely parallel with a slight lag, changes in interest rates and credit availability. Following a continuous decline of almost 600 basis points between 1984 and 1986 from almost 15 percent for 30 year fixed rate mortgages to around 9 percent, mortgage rates began edging up in 1987. By the end of the first half of 1987, mortgage rates were up 175 basis points to 10.5 percent for fixed rate loans. For the balance of 1988 mortgage rates are expected to remain stable at around the same or slightly higher levels.

The increase in interest rates is largely responsible for the decline in housing activity at both the national level and in Alabama. Nationwide, NAR estimates total housing starts were down almost 4 percent in 1987 and forecasts continued weakness through 1988. Existing housing sales, which are less sensitive to interest rate changes, remained relatively strong through 1986, only registering a decline in 1987. Barring unforeseen increases in mortgage rates, NAR forecasts resale activity to rebound in 1988 and 1989.

Regional and state data, which are less readily available and less current, portray a similar picture. The Mortgage Bankers Association reports residential housing starts for the South have been declining since 1985. For the first six months of 1987 housing starts were reported at 328,000, down from the 405,000 for the same period in 1986.

Data compiled by the Alabama Association of Realtors from seven metropolitan areas within the State,[1] indicate that for July 1987 the number of homes sold was 1,469, down slightly from the 1,513 reported for July of 1986. The average price of a home in Alabama was $71,082, also down slightly from a year ago ($71,485). The average number of days on the market increased from 86 days to 92 days during the same time period, confirming increasing softness in the residential housing market.[2] Overall, however, these statistics are surprisingly robust in the face of the recent increases in mortgage interest rates. □

[1] The data reported here represent residential sales of houses, condos, townhouses, and mobile homes for the Birmingham area, Dothan, Huntsville, Lee County, Mobile County, the Montgomery area, and Tuscaloosa.

[2] The number of days on the market does not include Tuscaloosa.

Transportation, Communications, and Public Utilities

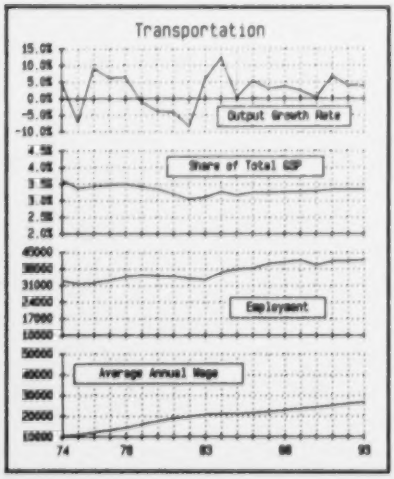
The transportation, communications, and public utilities (TCPU) sector accounts for 10.3 percent of real Gross State Product (GSP). Nationally TCPU's share of output is only 9 percent, making this industry group more important to Alabama's economy than to the nation's as a whole. TCPU output in Alabama had a real growth rate of 3.2 percent from 1987 to 1988 and should experience real growth through the end of the current forecast period in 1993.

In 1988 TCPU is estimated to employ approximately 80,000 Alabama workers or 4.1 percent of total employment. TCPU employment is expected to decline (3.7 percent to 77,600 workers) in the 1990 recession and its share of total employment should stabilize at 3.9 percent.

Alabama's average annual wage rate for this sector is estimated to be $27,100 and is forecasted to average $33,900 in 1993.

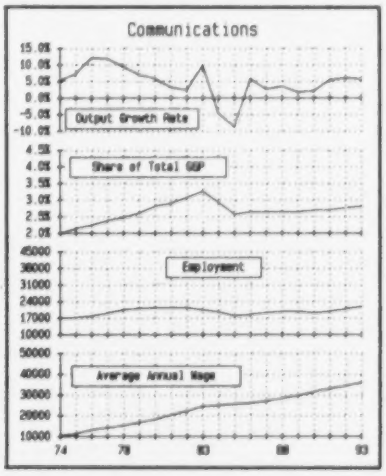
Transportation

The transportation industry in Alabama should average 3.4 percent a year real growth in output through 1993 and its share of GSP is expected to remain stable at 3.3 percent.



Currently transportation employs 40,900 workers for a 2.1 percent share of total employment. Transportation employment should experience slight growth in 1989 (1.8 percent or an increase to 41,700 workers) followed by a decline (5.0 percent) in the recession year of 1990. By 1993 employment should return to its pre-recession level.

The average annual wage rate is $22,900 and is forecasted to grow an average of 3.2 percent a year, reaching $26,800 by 1993.

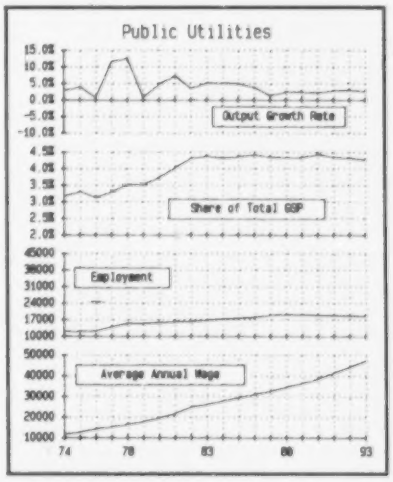


Communications

Output in the communications industry comprises 2.7 percent of GSP, down from a high of 3.3 percent in 1983. Modest growth is anticipated in 1989 and 1990 followed by a strong recovery for the 1991-1993 period.

The communications industry employs an estimated 19,900 workers (1.0 percent of Alabama total employment). After a decline (3.2 percent) in 1990, employment is forecasted to reach 22,000 by 1993.

The average annual wage rate is approximately $28,500 and is expected to be $36,100 per year by the end of the forecast period.



Public Utilities

The public utilities industry makes up the largest component of TCPU output with a 4.3 percent share of GSP. The current forecast calls for modest growth even in the downturn year of 1990.

In 1988 the public utilities industry is estimated to employ 19,200 workers or 1.0 percent of total employment. However, this number is forecasted to decline gradually each year to a low of 18,600 in 1992.

The average annual wage rate for public utilities is estimated to be $34,600. This wage rate is second only to the paper industry with a rate of $34,700. By the end of the forecast horizon the public utilities industry is expected to have the highest wage rate ($47,300) of any industry in the state. □

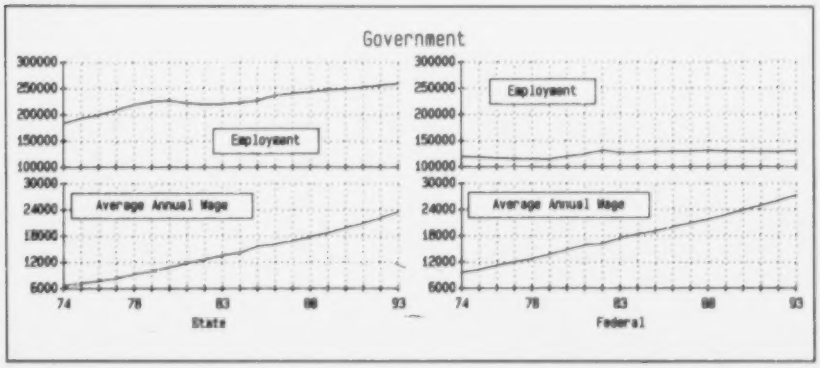
GOVERNMENT

The government sector includes State and local government agencies, federal civilian, and federal military. Total government accounts for an estimated 15.1 percent of Alabama Gross State Product in 1988. However, the relative importance of this sector is shifting and government's share of GSP is expected to decline to 14 percent by 1993.

Total government employment for 1988 is estimated to be 375,200 or 19.2 percent of total employment. This 19.2 percent share makes government the second largest employer in the State, following total manufacturing with a 19.3 percent share. While total government employment is forecasted to grow to 389,900 workers in 1993, its share of total employment is expected to decline to 18.4 percent.

HIGHLIGHTS

Government	1983	1988	1993
Real Output			
Share of Total GSP	16.4%	15.1%	14.0%
Employment			
Number of Workers	347,300	375,200	389,900
Share of Total	21.2%	19.2%	18.4%
Wages			
Annual Average (Cur $)	$16,100	$20,400	$26,500



The average annual wage rate for total government is estimated to be $20,400 for 1988 and is forecasted to reach $26,500 by 1993. However, wage rates within the government groupings are quite varied.

State and Local Government

In 1988 state and local government activity accounts for 8.6 percent of total GSP. Employing approximately 244,000 persons, state and local government has an estimated annual average wage of $17,900 for a total payroll of $4.4 billion. This represents the third largest sector payroll following only trade and services at $4.9 and $4.6 billion respectively. While durable and nondurable manufacturing combined are expected to contribute $7.9 billion in 1988, no single manufacturing industry is expected to have an individual payroll of $1.0 billion or more.

State and local government output share of total GSP is expected to decline modestly to 8.2 percent by 1993. Employment should reach approximately 260,000. The average annual wage is expected to rise to an average of $23,600 a year over the same period.

Federal Government

Federal government activity as a percentage of total Gross State Product in Alabama has been steadily declining since a recent high of 7.8 percent in 1982. In 1988 federal workers, both civilian and military, should account for 6.4 percent of Alabama GSP. This contribution is expected to decline to 5.9 percent by 1993.

This declining share is based on an expected decline in the number of federal civilians employed in Alabama. In 1987 the federal government employed 66,100 civilian workers in Alabama. This number is forecasted to fall to 60,600 by 1993. Alabama's federal military contingent is expected to grow from 63,600 in 1987 to 69,500 in 1993.

Federal civilian workers are expected to earn an average annual wage of $29,700 in 1988, compared to an average federal military annual wage of $13,600. These average annual wage rates are expected to rise to $37,400 and $18,600 respectively by 1993. □

TABLE 1.00 1988 ALABAMA ECONOMIC OUTLOOK
SELECTED INDICATORS

		1986	1987	1988	1989	1990	1991	1992	1993
ATGSP	GROSS STATE PRODUCT CUR $ (MIL).	50840.09	54074.96	58068.50	62040.79	65039.40	70587.13	75929.17	82123.21
	Percent Change.....	5.1	6.4	7.4	6.8	4.8	8.5	7.6	8.2
GNP$	GROSS NAT'L PRODUCT CUR $ (BIL).	4204.94	4441.61	4771.68	5103.20	5386.04	5836.85	6247.57	6727.39
	Percent Change.....	5.2	5.6	7.4	6.9	5.5	8.4	7.0	7.7
ATRSP	GROSS STATE PRODUCT 82 $ (MIL).	44967.63	46306.45	47699.65	48742.44	48641.11	51137.74	53043.24	55100.54
	Percent Change.....	2.5	3.0	3.0	2.2	-0.2	5.1	3.7	3.9
GNP	GROSS NAT'L PRODUCT 82 $ (BIL).	3674.87	3758.15	3868.43	3947.57	3969.45	4155.80	4279.42	4416.19
	Percent Change.....	2.5	2.3	2.9	2.0	0.6	4.7	3.0	3.2
	PER CAPITA GSP 82 $ (THOU).....	11.09	11.32	11.57	11.73	11.61	12.12	12.47	12.86
	Percent Change.....	1.6	2.1	2.2	1.4	-1.0	4.4	2.9	3.1
	PER CAPITA GNP 82 $ (THOU).....	15.16	15.35	15.64	15.79	15.72	16.30	16.62	17.00
	Percent Change.....	1.5	1.2	1.9	1.0	-0.5	3.7	2.0	2.2
	PER CAP GSP/PER CAP GNP (%).....	73.14	73.79	73.99	74.24	73.86	74.36	75.05	75.68
PDGNP	-GNP DEFLATOR (% CHANGE).....	2.6	3.3	4.4	4.8	5.0	3.5	3.9	4.3
PDCE	-PERS CONS DEFL (% CHANGE).....	2.1	4.1	4.6	4.9	4.6	4.0	4.3	4.8
PCW	-CONS PRICE INDEX (% CHANGE)....	1.5	3.7	4.5	5.0	4.9	4.2	4.4	4.8
ATPOP	POPULATION - ALABAMA (MIL).....	4.05	4.09	4.12	4.16	4.19	4.22	4.25	4.28
NPT	POPULATION - USA (MIL).....	242.37	244.88	247.42	249.96	252.51	255.01	257.45	259.85
ALABAMA	TOTAL EMPLOYMENT (MIL).....	1.86	1.91	1.95	1.98	1.97	2.03	2.07	2.12
	Percent Change.....	6.3	2.6	2.3	1.4	-0.5	3.0	2.0	2.5
AUER	ALABAMA UNEMPLOYMENT RATE (%)...	9.8	7.6	7.5	7.7	8.8	7.9	7.1	6.6
NRUT	US UNEMPLOYMENT RATE (%).....	7.0	6.6	6.4	6.7	7.6	6.8	6.2	5.7

SOURCE: CENTER FOR BUSINESS AND ECONOMIC RESEARCH, THE UNIVERSITY OF ALABAMA, WEFA LONG TERM BASELINE JUNE 1987 SOLUTION

TABLE 1.00 1988 ALABAMA ECONOMIC OUTLOOK
SELECTED INDICATORS-(CONTINUED)

		1986	1987	1988	1989	1990	1991	1992	1993
ATPY	TOTAL PERSONAL INC CUR $ (MIL)..	42076.37	44618.05	47922.53	51265.94	54315.73	58646.35	62855.93	67884.66
	Percent Change.....	7.0	6.0	7.4	7.0	5.9	8.0	7.2	8.0
	TOTAL PERSONAL INC - 82 $ (MIL).	36852.27	37532.91	38535.16	39297.73	39797.93	41327.78	42466.63	43747.48
	Percent Change.....	4.9	1.8	2.7	2.0	1.3	3.8	2.8	3.0
ATPYPC	ALABAMA PER CAPITA CUR $ (THOU).	10.38	10.91	11.62	12.33	12.97	13.90	14.78	15.85
	Percent Change.....	6.1	5.2	6.5	6.1	5.1	7.2	6.4	7.2
UTPYPC	US PER CAPITA CUR $ (THOU).....	14.38	15.00	15.90	16.91	17.77	19.01	20.20	21.56
	Percent Change.....	4.1	4.3	6.0	6.3	5.1	6.9	6.3	6.8
ALA/US	COMPARATIVE ADVANTAGE.....	0.72	0.73	0.73	0.73	0.73	0.73	0.73	0.73
ADPY	ALA DIS INC CUR $ (MIL).....	36017.37	38191.77	41323.13	44325.41	47138.71	50844.63	54463.46	58753.21
	Percent Change.....	7.0	6.0	8.2	7.3	6.3	7.9	7.1	7.9
	ALA DIS INC 82 $ (MIL).....	31545.54	32127.10	33228.49	33977.50	34539.22	35829.95	36796.52	37862.83
	Percent Change.....	4.9	1.8	3.4	2.3	1.7	3.7	2.7	2.9
	ALABAMA PER CAPITA 82 $ (THOU)..	7.78	7.86	8.06	8.17	8.25	8.49	8.65	8.84
	Percent Change.....	4.0	1.0	2.6	1.4	0.9	3.0	1.9	2.1
AWPANM	NONDUR WAGES - ALA CUR $ (THOU).	18.1	18.9	19.8	20.7	21.8	23.1	24.4	25.8
	Percent Change.....	2.1	4.4	4.6	4.5	5.4	6.0	5.7	5.8
AWPADM	DURABLE WAGES - ALA CUR $ (THOU)	20.6	21.4	22.3	23.4	24.6	25.9	27.4	29.1
	Percent Change.....	2.5	3.7	4.4	4.5	5.2	5.7	5.7	6.1

SOURCE: CENTER FOR BUSINESS AND ECONOMIC RESEARCH, THE UNIVERSITY OF ALABAMA, WEFA LONG TERM BASELINE JUNE 1987 SOLUTION

1988 ALABAMA ECONOMIC OUTLOOK
GROSS NATIONAL PRODUCT -- CONSTANT 82 $ (BILLIONS)

	1986	1987	1988	1989	1990	1991	1992	1993
GROSS NATIONAL PRODUCT.....	3674.87	3758.15	3868.43	3947.57	3969.45	4155.80	4279.42	4416.19
PERCENT CHANGE.....	2.50	2.27	2.93	2.05	0.55	4.69	2.97	3.20
PERSONAL CONSUMPTION EXPENDITURES...	2418.65	2469.03	2534.16	2587.62	2625.64	2719.86	2792.35	2865.07
PERCENT CHANGE.....	4.05	2.08	2.64	2.11	1.47	3.59	2.67	2.60
DURABLE GOODS.....	368.61	372.04	383.68	388.19	385.56	408.04	419.97	431.51
PERCENT CHANGE.....	7.19	0.93	3.13	1.17	-0.68	5.83	2.92	2.75
NONDURABLE GOODS.....	872.09	882.39	899.72	912.89	923.91	953.76	976.73	1001.27
PERCENT CHANGE.....	3.62	1.18	1.96	1.46	1.21	3.23	2.41	2.51
SERVICES.....	1177.96	1214.59	1250.76	1286.54	1316.18	1358.07	1395.65	1432.29
PERCENT CHANGE.....	3.42	3.11	2.98	2.86	2.30	3.18	2.77	2.63
GROSS PRIVATE DOMESTIC INVESTMENT...	657.13	662.11	687.14	681.97	641.99	719.39	756.07	789.05
PERCENT CHANGE.....	1.46	0.76	3.78	-0.75	-5.86	12.06	5.10	4.36
FIXED INVESTMENT.....	650.64	649.39	661.06	669.24	639.46	695.77	737.77	762.69
PERCENT CHANGE.....	1.88	-0.19	1.80	1.24	-4.45	8.81	6.04	3.38
NONRESIDENTIAL.....	456.69	453.30	469.48	481.01	474.90	505.15	532.56	553.33
PERCENT CHANGE.....	-1.02	-0.74	3.57	2.46	-1.27	6.37	5.43	3.90
RESIDENTIAL STRUCTURE.....	193.94	196.10	191.58	188.23	164.56	190.63	205.21	209.36
PERCENT CHANGE.....	9.45	1.11	-2.30	-1.75	-12.58	15.84	7.65	2.02
CHANGE IN BUSINESS INVENTORIES....	6.49	12.72	26.08	12.73	2.54	23.62	18.30	26.36
NET EXPORTS OF GOODS & SERVICES.....	-147.68	-133.52	-116.76	-86.90	-75.10	-73.17	-72.86	-57.13
EXPORTS.....	371.49	402.22	430.76	455.03	470.23	489.73	510.81	536.05
PERCENT CHANGE.....	2.54	8.27	7.09	5.63	3.34	4.15	4.30	4.94
IMPORTS.....	519.17	535.74	547.52	541.93	545.33	562.90	583.67	593.18
PERCENT CHANGE.....	10.34	3.19	2.20	-1.02	0.63	3.22	3.69	1.63
GOVT. PURCHASES OF GOODS & SERVICES.	746.77	760.52	763.88	764.88	776.92	789.72	803.86	819.19
PERCENT CHANGE.....	3.55	1.84	0.44	0.13	1.57	1.65	1.79	1.91
FEDERAL.....	332.17	332.92	329.28	323.88	325.86	327.89	330.32	333.11
PERCENT CHANGE.....	2.65	0.23	-1.09	-1.64	0.61	0.62	0.74	0.84
STATE AND LOCAL.....	414.60	427.60	434.60	441.00	451.06	461.83	473.53	486.08
PERCENT CHANGE.....	4.28	3.14	1.64	1.47	2.28	2.39	2.53	2.65

SOURCE: CENTER FOR BUSINESS AND ECONOMIC RESEARCH, THE UNIVERSITY OF ALABAMA, WEFA LONG TERM BASELINE JUNE 1987 SOLUTION

1988 ALABAMA ECONOMIC OUTLOOK
GROSS NATIONAL PRODUCT -- SHARE OF TOTAL

	1986	1987	1988	1989	1990	1991	1992	1993
GROSS NATIONAL PRODUCT.....	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00
PERSONAL CONSUMPTION EXPENDITURES...	65.82	65.70	65.51	65.55	66.15	65.45	65.25	64.88
DURABLE GOODS.....	10.03	9.90	9.92	9.83	9.71	9.82	9.81	9.77
NONDURABLE GOODS.....	23.73	23.48	23.26	23.13	23.28	22.95	22.82	22.67
SERVICES.....	32.05	32.32	32.33	32.59	33.16	32.68	32.61	32.43
GROSS PRIVATE DOMESTIC INVESTMENT...	17.88	17.62	17.76	17.28	16.17	17.31	17.67	17.87
FIXED INVESTMENT.....	17.70	17.28	17.09	16.95	16.11	16.74	17.24	17.27
NONRESIDENTIAL.....	12.43	12.06	12.14	12.18	11.96	12.16	12.44	12.53
RESIDENTIAL STRUCTURE.....	5.28	5.22	4.95	4.77	4.15	4.59	4.80	4.74
CHANGE IN BUSINESS INVENTORIES....	0.18	0.34	0.67	0.32	0.06	0.57	0.43	0.60
NET EXPORTS OF GOODS & SERVICES.....	-4.02	-3.55	-3.02	-2.20	-1.89	-1.76	-1.70	-1.29
EXPORTS.....	10.11	10.70	11.14	11.53	11.85	11.78	11.94	12.14
IMPORTS.....	14.13	14.26	14.15	13.73	13.74	13.54	13.64	13.43
GOVT. PURCHASES OF GOODS & SERVICES.	20.32	20.24	19.75	19.38	19.57	19.00	18.78	18.55
FEDERAL.....	9.04	8.86	8.51	8.20	8.21	7.89	7.72	7.54
STATE AND LOCAL.....	11.28	11.38	11.23	11.17	11.36	11.11	11.07	11.01

SOURCE: CENTER FOR BUSINESS AND ECONOMIC RESEARCH, THE UNIVERSITY OF ALABAMA, WEFA LONG TERM BASELINE JUNE 1987 SOLUTION

Data Sources

Alabama Department of Industrial Relations, Research and Statistics Division, *Annual Average Labor Force Estimates* and *Statistical Bulletin.*

Alabama Department of Revenue, Research Division, *Revenue Abstract.*

Center for Business and Economic Research, The University of Alabama, Population Estimates and Projections.

U. S. Department of Commerce, Bureau of Economic Analysis, National Income and Wealth Division, Gross National Product Originating by Industry for 14 Income Components.

U. S. Department of Commerce, Bureau of Economic Analysis, Regional Economic Measurement Division, Special tabulations on employment, income and earnings.

The WEFA Group, *Wharton Long-Term Forecast*, June 1987 Solution.